

Random Moment Sampling (RMS) and Related System Changes
Economic Support Technical Advisory Committee Recommendation
October 24, 2002

History

The Department of Workforce Development (DWD) has not had an approved cost allocation system for Economic Support Programs with the Federal Government since 1996. According to Department of Workforce Development staff, one of two federally approved cost allocation systems has to be implemented in the State of Wisconsin by January 1, 2003 or the State faces the threat of losing large amounts of Federal funding. According to State officials, the two cost allocation systems approved by the Federal Government are either 100% time reporting (which would require all Economic Support Staff to record 100% of how their work time was spent) or Random Moment Sampling (RMS). Random Moment Sampling would involve pooling staff from several different agencies and then having those staff members randomly called by State staff to be asked what work functions they are performing at precise times. In order to have a valid RMS sample, 2100 responses have to be documented from each Random Moment Sampling group during each calendar quarter.

County financial staff members were first informed about the cost allocation problems at a State financial managers meeting in May of 2001 in Oshkosh, Wisconsin. At that meeting, DWD officials asked for volunteers to serve on a workgroup to help evaluate RMS versus 100% time reporting in order to resolve the cost allocation issues with the Federal Government. In the fall of 2001, Department of Workforce Development staff did assemble a State wide workgroup to study RMS and 100% time reporting issues. The work group met several times up until December 2001 at which time "look-back" data and pilot RMS data were agreed to be gathered and assembled. The workgroup was then to reconvene.

In May 2002, this time at the financial managers conference in Eau Claire, county social services and human services staff were informed that the Department of Workforce Development was in the process of gathering RMS Pilot data from Dane County and from seven other "pooled" counties located in the Northwest portion of the State. It was also announced that DWD intended to change how counties report and allocate indirect costs to economic support programs. While still unclear to many, it also was reported that the Department of Workforce Development intended to allocate county indirect costs to ALL department of social services and human services programs. When asked if other State departments such as corrections and the department of administration were being talked to about these plans, we were informed that they have been involved in these planning efforts. Lastly, financial managers were informed that the department intended to eliminate the CARS financial reporting system and replace it with a different financial reporting system. Numerous concerns were raised by county staff at this meeting and Kipp Sonnentag, DWD controller, promised to reconvene the RMS workgroup to discuss these new ideas and plans. The promise to reconvene the RMS workgroup was never fulfilled.

At a statewide meeting on RMS in Madison on September 24th, 2002, Department of Workforce Development staff informed us of their intentions to implement Random Moment Sampling in all county agencies by January 1, 2003, stating their research has found Random Moment Sampling to be more efficient and cost effective than implementing 100% time reporting.

Problems and Concerns

While county agencies certainly recognize the need to implement a federally approved cost allocation system, the process the Department of Workforce Development has used to date has been very poorly organized and has lacked important and valuable input from local agencies. Without this critical input, the implementation of the proposed RMS system is likely to have dramatic impacts (some potentially very negative) on service delivery across the State of Wisconsin. Several of our critical concerns are detailed below.

- * RMS pools many different counties into one cost allocation system. Counties are very diverse and each operate many unique programs. In addition, counties also operate similar programs in many different ways. RMS has the potential to greatly impact local county funding reimbursements in a very negative manner. It is projected and envisioned that in some counties this change in cost allocation methodology will force some agencies out of the W-2 business mid-year, in other agencies it will shift large amounts of expenses onto county tax levy, and in still others it will reimburse agencies for programs they don't even operate, possibly at the expense of taking critical funding away from agencies that already struggle to provide needed services without adequate funding.

Two agencies, Calumet County and Outagamie County, have recently completed fiscal projections on the anticipated affects RMS will have on their respective 2003 budgets.

Calumet county reports "We have found that RMS pooling would have a huge impact on Calumet County. Our 2003 budget prepared in July utilized year-to-date percentages of time based on our county's 100% time reporting. I compared that budget to the pooled counties percentages. This caused a shift of approximately \$150,000 from W-2 to Income Maintenance, Program Integrity and Child Care. In applying the percentages (RMS) we would be projecting an \$18,000 overspend in our Child Care contract, a \$58,000 overspend in our IM contract and a \$56,000 overspend of our Program Integrity contract. Some of this money is eligible for Federal overmatch. After that is taken into consideration, the pooled percentages would cost Calumet County taxpayers \$96,000 and in turn we would be turning back over \$150,000 in TANF funding to the state.

Outagamie county reports similar results. "We have found that RMS pooling would also have a huge impact on our established 2003 budget. We anticipate that \$119,085 of expenses would get shifted from W-2 to other Income Maintenance Programs. Since W-2 is fully funded and the other Income Maintenance programs are not, the net affect is that \$61,915 of expenses would get shifted to Outagamie

County taxpayers. In addition, we would also be turning back \$119,085 of W-2 funding to the State.

Additional data is still being analyzed by several pilot counties and we anticipate those results will be available in the coming days.

- * RMS, even by admission of the staff designing it, is full of many unknowns. Rather than take the proper time to implement RMS and see the results it will achieve, DWD staff is insistent on moving forward with tying RMS to our existing reimbursement and contracting systems.
- * If RMS and its associated system changes do in fact require new indirect cost allocation methodologies for entire departments of social and human service agencies than we have even larger concerns. DWD officials designing these new systems still extensively struggle to understand how Economic Support programs operate, and they have not even begun to scratch the surface of how programs contained in our larger health and human service agencies operate. DWD staff would have to research and understand how our cost allocation systems affect private contract agencies such as non-profit aging entities, job centers, partnerships and coalitions, and numerous other innovative and creative consortiums that presently exist in our 72 counties.
- * Although DWD has stated that other State Departments affected by indirect cost allocations have been briefed on these subjects and plans, calls as late as last week to staff working in the Department of Administration's Energy Program revealed no knowledge of the new cost allocation distribution system shared with us on September 24th.
- * Staff from pilot agencies of the RMS study have expressed concerns about the results of the three month pilot and their lack of time to analyze the data presented at the State wide meeting. In many cases, pilot counties had only seen the data one day before the State's presentation claiming the pilots to be a success. Dane County's data wasn't even shared at the State wide meeting due to continued refinement of the data. Barron county reports that they did not get a chance to review their data prior to the meeting on September 24th and that concerns they did raise were not appropriately heard or responded to by State staff members.
- * Lastly, this system implementation does not provide for adequate time for training, questions, and proper refinement. RMS and associated financial systems impact billions of dollars of funding on a state wide basis. Implementation of system changes of this magnitude have to be properly researched, trained, and implemented. In this particular case, not one of these three vital functions has properly occurred.

Solutions

In light of these numerous concerns, the Wisconsin County Human Services Association and the Wisconsin Counties Association, who represent almost all partners affected by this new cost allocation system, request that the following implementation plan be adopted for RMS. This change is **REQUIRED** so that clients and county partners are not adversely affected by this new system.

Implement RMS on January 1, 2003 to satisfy federal requirements for the State of Wisconsin to claim appropriate federal funds, but continue running all existing contracting and cost allocation systems to allocate State funding to the local agencies. Existing contracts and methods of claiming expenses against those contracts would continue as they are today. Dual systems would run indefinitely or until such time as the Department of Workforce Development (DWD) and the Department of Health and Family Services (DHFS) proposes alternate contracting and payment systems to the Wisconsin County Human Services Association that ensure that counties will not be adversely affected.

We thank all local agencies, legislators, and community partners for recognizing the huge impact RMS and associated cost allocations systems have on our State wide service delivery system and appreciate your support in recognizing the need to change the proposed implementation plan DWD has for these respective systems.